

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2369 - SB 2423

February 29, 2016

SUMMARY OF BILL: Requires the Department of Correction (DOC) to present a report to the Judiciary Committee of the Senate, the Civil Justice Committee of the House of Representatives, the State and Local Government Committee of the Senate, and the State Government Committee of the House of Representatives by March 1, 2017, and by March 1 every year thereafter, on correctional officer staffing levels. The report must include the staffing levels at each correctional facility and private contract prison in the state, staffing levels for correctional officers for each correctional facility security level; and a comparison of staffing levels at correctional facilities in the state and the national standards adopted by the National Institute of Corrections and the American Correctional Association.

Requires the Commissioner of the DOC to develop criteria for when a correctional officer may work two consecutive shifts which shall apply to a seven-day period and account for different security-level facilities.

The bill sets forth standards for work periods and compensation practices. The DOC must consult with employee representatives and establish work period and compensation practices that comply with the standards.

The standards include a work period ranging from seven to 14 consecutive days in length. Overtime pay shall be required after 85 hours worked in a 14-day period. Correctional officers will be entitled to a shift premium equal to one and one-half times regular pay if they work 12 or more hours in one 24-hour period.

The bill requires correctional officers to be paid every two weeks.

Requires a pay stub to clearly and accurately reflect all hours worked, standard rate of pay, rate of overtime pay, accrual or any paid leave and compensatory time, remaining paid leave, and compensatory time off. Requires the DOC to establish administrative regulation practices that create greater flexibility in the staffing of facilities, including but not limited to, employee shift substitution, voluntary overtime lists, roving, and pool staff coverage.

The bill requires the Commissioner of the DOC to establish a department-wide, modern, employee-verifiable, secure time-keeping and payroll system. The bill gives employees retention rights throughout the DOC.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – \$2,432,900/FY16-17
\$780,000/FY17-18 and Subsequent Years**

Assumptions:

- The bill will significantly impact state operations as follows:
 - Creation of a 14-day work period for one subset of state employees;
 - Creation of new time and labor rule for shift premium applicable to correctional officers who work more than 12 hours in a 24-hour period;
 - Requiring bi-weekly payroll rather than semimonthly;
 - Creation of a specialized paycheck stub; and
 - Requiring DOC to have a stand-alone payroll and timekeeping system.

Fourteen-Day Work Period

- Currently, correctional officers' overtime pay is calculated on a 28-day schedule. The Department of Finance and Administration (Finance & Administration) will need to update Edison to allow calculation of overtime on a 14-day work schedule rather than 28-day work schedule.
- A developer and business analyst will complete the work. The developer rate is \$57 per hour, and the business analyst rate is \$45 per hour.
- Creating a 14-day work schedule will require the following work:
 - \$4,500 – 100 hours of functional requirements and design at the business analyst rate ($100 \times \$45 = \$4,500$);
 - \$13,500 – 300 hours of functional configuration at the business analyst rate ($300 \times \$45 = \$13,500$);
 - \$21,375 – 375 hours of development at the developer rate ($375 \times \$57 = \$21,375$);
 - \$27,000 – 600 hours of functional testing at the business analyst rate ($600 \times \$45 = \$27,000$); and
 - \$3,600 – 80 hours of training from Edison to the Department of Human Resources at the business analyst rate ($80 \times \$45 = \$3,600$).
- The bill will result in a one-time increase in state expenditures of \$69,975 ($\$4,500 + \$13,500 + \$21,375 + \$27,000 + \$3,600$).

Shift Premium

- Finance & Administration will also need to create a time and labor rule to apply the shift premium for correctional officers that work more than 12 hours in a 24-hour period.
- Creating the shift premium will require the following work:
 - \$4,500 – 100 hours of functional requirements at the business analyst rate ($100 \times \$45 = \$4,500$); and
 - \$5,130 – 90 hours of development at the developer rate ($90 \times \$57 = \$5,130$);
- The bill will result in a one-time increase in state expenditures of \$9,630 ($\$4,500 + \$5,130$).

Bi-Weekly Pay

- Currently, correctional officers' are based on a 28-day work schedule. The bill requires a seven to 14-day work schedule. The bill also requires correctional officers to be paid every two weeks. It is assumed that a 14-day work schedule will be developed to coincide with the bi-weekly pay day.
- Tennessee Code Annotated § 8-23-202 requires employees of the executive branch to be paid semimonthly (twice per month). Finance & Administration, through Edison, currently administers three separate payroll cycles:
 - Semimonthly paid one pay period in arrears for executive branch employees, i.e., paid on February 28th for pay period February 1-14;
 - Monthly paid at the end of the current pay period, i.e., paid at the end of the month for that month's pay period; and
 - Weekly for legislative interns.
- The bill will require Finance & Administration to develop and administer another payroll schedule just for correctional officers.
- Implementing bi-weekly pay will require the following work:
 - \$21,318 – 374 hours of designing, coding, testing, and migrating at the developer rate for service credit and longevity payment processing (374 x \$57);
 - \$37,278 – 654 hours of designing, coding, testing, and migration at the developer rate for new leave accrual process (654 x \$57);
 - \$3,420 – 60 hours for designing, coding, and testing at the developer rate for time and labor rule revision (60 x \$57);
 - \$5,130 – 90 hours for designing, coding, and testing at the developer rate for time and labor rule configuration and process changes (90 x \$57);
 - \$6,555 – 115 hours for designing, coding, and testing at the developer rate for payroll interface programming (115 x \$57);
 - \$8,607 – 151 hours for designing, coding, and testing at the developer rate for commitment accounting processing (151 x \$57);
 - \$13,455 – 299 hours for designing and testing at the business analyst rate for pay frequency change (299 x \$45);
 - \$11,781 – 261.8 hours for designing and testing at the business analyst rate for service credit and longevity payment processing (261.8 x \$45);
 - \$20,601 – 457.8 hours for designing and testing at the business analyst rate for new leave accrual process (457.8 x \$45);
 - \$1,890 – 42 hours for designing and testing at the business analyst rate for time and labor rule revision (42 x \$45);
 - \$2,835 – 63 hours for designing and testing at the business analyst rate for time and labor rule configuration and process changes (63 x \$45);
 - \$3,622.50 – 80.5 hours for designing and testing at the business analyst rate for payroll interface programming (80.5 x \$45); and
 - \$4,756.50 – 105.7 hours for designing and testing at the business analyst rate for commitment accounting processing (105.7 x \$45).
- The bill will result in a one-time increase in state expenditures of \$141,249 (\$21,318 + \$37,278 + \$3,420 + \$5,130 + \$6,555 + \$8,607 + \$13,455 + \$11,781 + \$20,601 + \$1,890 + \$2,835 + \$3,622.50 + \$4,756.50).

- Under the current payroll system, Finance & Administration and the Department of Human Resources (DOHR) manage 24 pay days (semimonthly). The bill will add an additional 26 pay days (bi-weekly).
- Finance & Administration and DOHR will need additional staff to handle the additional pay days as well as manage different rules for leave accrual, service credit, retirement credit, and deductions for a specialized segment of the state workforce.
- Finance & Administration will need two administrative service assistants and two ERP Consultants, and DOHR will need a program supervisor, a program analyst, and three program specialists.
- Each position will require recurring expenditures of \$12,600 (\$150 supplies + \$150 rentals and insurance + \$200 employee development + \$1,000 computer + \$2,400 OIR telephone and computer + \$5,450 internal administration and system costs + \$3,250 rent and insurance). The bill will increase recurring state expenditures by an estimated \$113,400 (\$12,600 x 9 positions).
- The base salary for each position is as follows:
 - ERP Consultant – \$52,488;
 - Administrative Services Assistant V – \$51,984;
 - HR Program Supervisor – \$48,600;
 - HR Program Specialist – \$39,996; and
 - HR Program Analyst – \$36,276.
- The ERP Consultant positions will increase recurring state expenditures by an estimated \$141,873.68 $\{[\$52,488 + (\$52,488 \times .1503 \text{ benefits}) + (\$52,488 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}] \times 2\}$.
- The Administrative Services Assistant positions will increase recurring state expenditures by an estimated \$140,637.06 $\{[\$51,984 + (\$51,984 \times .1503 \text{ benefits}) + (\$51,984 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}] \times 2\}$.
- The HR Program Supervisor position will increase recurring state expenditures by an estimated \$66,167.04 $[\$48,600 + (\$48,600 \times .1503 \text{ benefits}) + (\$48,600 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}]$.
- The HR Program Specialist positions will increase recurring state expenditures by an estimated \$166,834.96 $\{[\$39,996 + (\$39,996 \times .1503 \text{ benefits}) + (\$39,996 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}] \times 3\}$.
- The HR Program Analyst position will increase recurring state expenditures by an estimated \$51,047.96 $[\$36,276 + (\$36,276 \times .1503 \text{ benefits}) + (\$36,276 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}]$.
- The nine additional positions will increase recurring state expenditures by an estimated \$679,960.70 $(\$113,400 + \$141,873.68 + \$140,637.06 + \$66,167.04 + \$166,834.96 + \$51,047.96)$.

Specialty Pay Stub

- The bill requires a pay stub that clearly and accurately reflects all hours worked, standard rate of pay, rate of overtime pay, accrual or any paid leave and compensatory time, remaining paid leave, and compensatory time off. Finance & Administration will need to update Edison to develop this specialty pay stub.

- Developing the pay stub will require the following work:
 - \$28,500 – 500 hours of developing the pay stub at the developer rate (500 x \$57); and
 - \$3,600 – 80 hours of functional requirements at the business analyst rate (80 x \$45);
- The bill will increase one-time state expenditures by an estimated \$32,100 (\$28,500 + \$3,600).

Stand-Alone Payroll System

- The bill requires the Commissioner of the DOC to establish a department-wide, modern, employee-verifiable, secure time-keeping and payroll system.
- The system would be used by correctional officers statewide for timekeeping. It is assumed that the DOC will need to contract with a vendor to develop such a system.
- It is assumed that development of a stand-alone system would increase one-time state expenditures by no less than \$1,500,000. It is further assumed that maintenance of the system would increase recurring state expenditures by \$100,000.

Total Impact of the Bill

- The bill will increase state expenditures by an estimated \$2,432,914.70 (\$69,975 + \$9,630 + \$141,249 + \$679,960.70 + \$32,100 + \$1,500,000) in FY16-17.
- The bill will increase recurring state expenditures by an estimated \$779,960.70 (\$679,960.70 + \$100,000) in FY17-18 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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